

# **SHELBY PUBLIC SCHOOLS**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**KARL L. DRAKE  
CERTIFIED PUBLIC ACCOUNTANT**

## LIST OF PRINCIPAL INDIVIDUALS

**JUNE 30, 2008**

### Board of Education

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Craig Sawyer	Vice President
Jeremy Horton	Secretary
Leon Kay	Treasurer
Dave Beckman	Board Member
Steven Vinke	Board Member
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### Management

Dana McGrew	Superintendent
Laura Jacobs	Business Manager
Karl L. Drake, PC	Auditor
Thrun Law Firm, P.C.	Attorney

# SHELBY PUBLIC SCHOOLS

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## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-10
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds....	14
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Fiduciary Fund:	
Statement of Fiduciary Net Assets.....	16
Notes to Financial Statements.....	17-29
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund.....	31
Budgetary Comparison Schedule - Food Service Fund.....	32
OTHER SUPPLEMENTAL INFORMATION	
GENERAL FUND	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	35-38
SPECIAL REVENUE FUNDS	
Combining Balance Sheet.....	40
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual.....	41-42
DEBT RETIREMENT FUNDS	
Combining Balance Sheet.....	44
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual.....	45-46

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	<u>PAGE</u>
AGENCY FUNDS	
Statement of Assets and Liabilities.....	48
Combining Statement of Changes in Assets and Liabilities.....	49
Statement Of Changes In Assets And Liabilities	
High School Internal Activities Fund.....	50
Middle School Internal Activities Fund.....	51
Benona Elementary Internal Activities Fund.....	52
Ferry Elementary Internal Activities Fund.....	52
New Era Elementary Internal Activities Fund.....	53
Thomas Read Elementary Internal Activities Fund.....	53
Central Office Internal Fund.....	54
STATEMENTS OF BONDED INDEBTEDNESS.....	
Durant Debt.....	56
1998 Refunding Debt.....	57
2003 Refunding Debt.....	57
FEDERAL FINANCIAL ASSISTANCE	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	59-60
FOOTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	61
SCHEDULE OF RECONCILIATION OF REVENUE WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS.....	62
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	63-64
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	65-66
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	67
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	68

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shelby Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 30-32 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education  
Shelby Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby Public School's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.  
Certified Public Accountant

September 24, 2008

This section of Shelby Public Schools' annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2008. It is best read in conjunction with the School District's financial statements, which immediately follow this section.

### Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shelby Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund and Food Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

*District-wide Financial Statements*

*Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Food Service Fund  
(Required Supplemental Information)

Other Supplemental Information

Federal Financial Assistance

### Reporting The School District As A Whole – District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, childcare, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### **Reporting The School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflow and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.



### Reporting The School District's Fiduciary Responsibilities – The School District As Trustee

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The School District As A Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 as compared to June 30, 2007:

<b>TABLE 1</b>		Governmental Activities (In Millions)	
<b>ASSETS</b>		2008	2007
Current and other assets		\$ 5.5	\$ 5.4
Capital assets - Net of accumulated depreciation		16.5	17.0
<b>TOTAL ASSETS</b>		<b>22.0</b>	<b>22.4</b>
<b>LIABILITIES</b>			
Current liabilities		2.3	2.4
Long-term liabilities		12.9	13.5
<b>TOTAL LIABILITIES</b>		<b>15.2</b>	<b>15.9</b>
<b>NET ASSETS</b>			
Invested in property and equipment - Net of related debt		6.5	6.4
Restricted		1.0	0.8
Unrestricted		-0.7	-0.7
<b>TOTAL NET ASSETS</b>		<b>\$ 6.8</b>	<b>\$ 6.5</b>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$6.8 million at June 30, 2008. Capital assets, net of related debt totaling \$6.5 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$-0.7 million) was unrestricted.

The \$-0.7 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

<b>TABLE 2</b>	Governmental Activities (In Millions)	
	2008	2007
<b>REVENUE</b>		
Program Revenue		
Charges for services	\$ 0.2	\$ 0.3
Grants and categoricals	3.6	3.4
General Revenue		
Property taxes	3.7	4.0
State foundation allowance	10.0	10.3
Other	0.2	0.2
<b>TOTAL REVENUE</b>	<b>\$ 17.7</b>	<b>\$ 18.2</b>

<b>FUNCTION/PROGRAM EXPENSES</b>	<b>2008 (In Millions)</b>	<b>2007 (In Millions)</b>
Instruction	\$ 10.0	\$ 10.0
Support Services	4.6	4.9
Food Services	0.6	0.6
Athletics	0.4	0.4
Community Services	0.7	0.5
Interest on long-term debt	0.5	0.5
Depreciation (unallocated)	0.6	0.6
<b>TOTAL FUNCTION/PROGRAM EXPENSES</b>	<b>17.4</b>	<b>17.5</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 0.3</b>	<b>\$ 0.7</b>

As reported in the statement of activities, the cost of all of the governmental activities this year was \$17.4 million. Certain activities were partially funded from those who benefited from the programs (\$0.2 million) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$3.6 million). The remaining “public benefit” portion of the governmental activities was paid with \$3.7 million in taxes, \$10.0 million in State Foundation Allowance, and with other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$0.3 million. The key reason for the increase in net assets was controlling expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District’s taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

### The School District’s Funds

As noted earlier, the School District uses funds to help it manage and control money for certain purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District’s overall financial health.

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As the School District completed this year, the governmental funds reported a combined fund balance of \$3.9 million, which is an increase of \$0.1 million from last year. The primary reason for the increase was controlling expenditures. The General Fund, the principal operating fund, saw the fund balance decrease \$54,279 to \$2,821,031, which is less than the budgeted decrease of \$572,019.

- The Special Revenue Funds remained stable from the prior year, showing a net decrease of approximately \$14,757.
- Combined, the Debt Service Funds showed a fund balance increase of approximately \$231,703. Debt Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

### **General Fund Budgetary Highlights**

Each month as necessary, the School District amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund budget were as follows:

- Budgeted revenue was increased by \$837,306 due mainly to increased State Aid in section 22B Discretionary Payments.
- Budgeted expenditures increased by \$935,174 to cover increased costs of: special education, adult education, fuel for buses, water and utilities, daycare, welfare activities and other community services.

### Capital Asset And Debt Administration

#### Capital Asset

At June 30, 2008, the School District had \$16.5 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$534,469 or 3 percent, from last year.

	2008	2007
Land	\$ 231,991	\$ 231,991
Buildings	21,789,056	21,789,056
Buses and Other Vehicles	1,245,812	1,183,812
Furniture and Equipment	2,673,877	2,659,699
Total Capital Assets	25,940,736	25,864,558
Less Accumulated Depreciation	-9,457,360	8,846,713
Net Capital Assets	\$ 16,483,376	\$ 17,017,845

The additions this year include new locks for all locker rooms in the middle school and high school, a new floor scrubbing unit, one new bus radio and antenna, one used bus, a computer server to use for food service, and six computers for Thomas Read's bilingual room. No debt was issued for these additions.

#### Debt

At the end of this year, the School District had \$9.9 million in bonds outstanding versus \$10.6 million in the previous year - a decrease of 6 percent. Those bonds consisted of the following:

	2008	2007
General Obligation Bonds	\$ 9,906,134	\$ 10,571,134

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$9.9 million is significantly below the statutorily imposed limit.

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Other obligations include employee-compensated absences and severance pay. More detailed information about long-term liabilities is presented in the notes to the financial statements.

### **Economic Factors And Next Year's Budgets And Rates**

The elected officials and administration considered many factors when setting the School District's 2008-09 fiscal year budget. Two of the most important factors affecting the budget are student count and declining fund balance. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-09 fiscal year is 25 percent of the February 2008 student count and 75 percent of the September 2008 student count. The 2008-09 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Shelby Public Schools is a declining enrollment district.

Based on early enrollment data at the start of the 2008-2009 school year, a significant decrease is anticipated in the fall 2008 student count. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Insurance rates, for the most part, are remaining at their current level. This is primarily because of a contract signed in 2006-2007 with the teacher union that mandated a change in coverage for prescription drugs. The cost of retirement will decrease from 16.72% to 16.54% on October 1, 2008. Savings in the retirement rates are offset by doubled water and sewer rates in the Village of Shelby, rising cost of fuel and increased utility fees. These factors along with the anticipated drop in enrollment for the 2008-2009 school year will make this a challenging year financially.

Additionally, Shelby Public Schools attempted to pass a 2 mill increase to cover what has been used up in the Headlee Millage reduction. The proposal did not pass in either the May or August election. Therefore, Shelby Public Schools will not be able to levy the full 18 mills on all non-homestead, non-qualified agricultural property in the 2008 tax year. This will create an additional loss of slightly over \$44,000.

Because the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue consensus conference to estimate revenues.

### **Contacting The School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Shelby Public School with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 525 N. State Street, Shelby, Michigan 49455.

# SHELBY PUBLIC SCHOOLS

## District-wide Financial Statements

### STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,914,429
Due From Other Governmental Units	2,394,559
Accounts Receivable	4,641
Inventories	65,691
Prepaid Expenditures	115,289
Total Current Assets	5,494,609
Non-current Assets	
Capital Assets	25,940,736
Less: Accumulated Depreciation	-9,457,360
Total Non-current Assets	16,483,376
<b>TOTAL ASSETS</b>	<b>\$ 21,977,985</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts Payable	\$ 51,870
Accrued Salaries and Expenses	1,460,673
Accrued Interest	73,778
Deferred Revenue	68,981
Bonds Payable, Due within One Year	678,590
Total Current Liabilities	2,333,892
Non-current Liabilities	
Bonds Payable	9,227,544
Compensated Absences and Severance Pay	3,613,880
Total Non-current Liabilities	12,841,424
<b>TOTAL LIABILITIES</b>	<b>15,175,316</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	6,503,464
Restricted for Debt Service	1,023,723
Unrestricted	-724,518
<b>TOTAL NET ASSETS</b>	<b>6,802,669</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,977,985</b>

See Accompanying Notes to Financial Statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

		Program Revenues		Governmental Activities
		Charges For Services	Operating Grants	Net <Expense> Revenue and Changes in Net Assets
	Expenses			
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities				
Instruction	\$ 10,077,168	\$ 5,094	\$ 2,304,604	\$ -7,767,470
Support Services	4,644,826	4,111	67,739	-4,572,976
Food Services	607,925	171,784	430,035	-6,106
Athletics	388,587	41,966	---	-346,621
Community Services	653,154	12,748	777,235	136,829
Interest on Long-Term Debt	457,985	---	---	-457,985
Depreciation (Unallocated)	610,647	---	---	-610,647
Total Governmental Activities	<u>\$ 17,440,292</u>	<u>\$ 235,703</u>	<u>\$ 3,579,613</u>	<u>-13,624,976</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				2,415,581
Property Taxes, Levied for Debt Service				1,315,068
State of Michigan Aid, Unrestricted				10,009,259
Interest Earnings				123,972
Other				<u>61,428</u>
Total General Revenue				<u>13,925,308</u>
<b>CHANGE IN NET ASSETS</b>				300,332
NET ASSETS - BEGINNING OF YEAR				<u>6,502,337</u>
<b>NET ASSETS - END OF YEAR</b>				<u><u>\$ 6,802,669</u></u>

See Accompanying Notes to Financial Statements.



# SHELBY PUBLIC SCHOOLS

## Fund Financial Statements

### BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2008

	General	Food Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,836,564	\$ 54,142	\$ 1,023,723	\$ 2,914,429
Accounts Receivable	192	4,449	---	4,641
Due from Other Governmental Units	2,394,559	---	---	2,394,559
Due from Other Funds	87	---	5,748	5,835
Inventories	56,607	9,084	---	65,691
Prepaid Expenditures	114,029	1,260	---	115,289
<b>TOTAL ASSETS</b>	<b>\$ 4,402,038</b>	<b>\$ 68,935</b>	<b>\$ 1,029,471</b>	<b>\$ 5,500,444</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 51,870	\$ ---	\$ ---	\$ 51,870
Accrued Salaries and Withholdings	1,454,408	517	5,748	1,460,673
Due to Other Governments	---	---	---	---
Due to Other Funds	5,748	87	---	5,835
Deferred Revenue	68,981	---	---	68,981
<b>TOTAL LIABILITIES</b>	<b>1,581,007</b>	<b>604</b>	<b>5,748</b>	<b>1,587,359</b>
<b>FUND BALANCES</b>				
Reserved for Inventories	56,607	9,084	---	65,691
Reserved for Debt Service	---	---	1,021,223	1,021,223
Unreserved, Designated	456,977	---	---	456,977
Unreserved and Undesignated	2,307,447	---	---	2,307,447
Unreserved and Undesignated, Food Services	---	59,247	---	59,247
Unreserved and Undesignated, Athletics	---	---	2,500	2,500
<b>TOTAL FUND BALANCES</b>	<b>2,821,031</b>	<b>68,331</b>	<b>1,023,723</b>	<b>3,913,085</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,402,038</b>	<b>\$ 68,935</b>	<b>\$ 1,029,471</b>	<b>\$ 5,500,444</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>				<b>\$ 3,913,085</b>
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets				\$ 25,940,736
Accumulated Depreciation				-9,457,360
				16,483,376
Long-term Liabilities are not due and payable in the current period and are not reported in the fund				
Bonds Payable				-9,906,134
Compensated Absences				-3,613,880
Accrued interest is not included as a liability in governmental funds				-73,778
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>				<b>\$ 6,802,669</b>

See Accompanying Notes to Financial Statements.

# STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

**YEAR ENDED JUNE 30, 2008**

	General	Food Service	Other Non-major Governmental Funds	Totals
<b>REVENUE</b>				
Local Sources	\$ 2,580,883	\$ 172,802	\$ 1,398,067	\$ 4,151,752
State Sources	11,306,772	25,956	---	11,332,728
Federal Sources	1,852,065	404,079	---	2,256,144
Miscellaneous	---	---	---	---
<b>TOTAL REVENUE</b>	<b>15,739,720</b>	<b>602,837</b>	<b>1,398,067</b>	<b>17,740,624</b>
<b>EXPENDITURES</b>				
Current				
Instruction	10,077,168	---	388,587	10,465,755
Supporting Services	4,652,711	607,925	---	5,260,636
Community Services	653,154	---	---	653,154
Debt Service	---	---	1,124,398	1,124,398
Capital Outlay	64,345	9,669	---	74,014
<b>TOTAL EXPENDITURES</b>	<b>15,447,378</b>	<b>617,594</b>	<b>1,512,985</b>	<b>17,577,957</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	292,342	-14,757	-114,918	162,667
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>				
Operating Transfers In	---	---	346,621	346,621
Operating Transfers Out	-346,621	---	---	-346,621
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	<b>-346,621</b>	<b>---</b>	<b>346,621</b>	<b>---</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-54,279</b>	<b>-14,757</b>	<b>231,703</b>	<b>162,667</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>2,875,310</b>	<b>83,088</b>	<b>792,020</b>	<b>3,750,418</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,821,031</b>	<b>\$ 68,331</b>	<b>\$ 1,023,723</b>	<b>\$ 3,913,085</b>

See Accompanying Notes to Financial Statements.

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

**NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS** **\$ 162,667**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

-610,647

Capital Outlay

76,178

-534,469

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

1,413

- Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

670,721

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 300,332**

**STATEMENT OF FIDUCIARY NET ASSETS****JUNE 30, 2008**

	<u>Agency Fund – Student Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 137,356
Accounts Receivable	<u>---</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 137,356</b></u>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ ---
Due to Others	13,339
Due to Student Groups	<u>124,017</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 137,356</b></u>

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

**A. REPORTING ENTITY:** Shelby Public School District is located in Oceana County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

### B. BASIS OF PRESENTATION

#### District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided

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by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**District-wide Statements** – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

## GOVERNMENTAL FUNDS

**General Fund** – The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund and Athletic Fund.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### GOVERNMENTAL FUNDS – CONTINUED

Debt Service Funds – These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Service Funds maintained by the School District are to retire outstanding 1998, 2003 and Durant bonded indebtedness.

Capital Project Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

#### FIDUCIARY FUNDS

Agency Fund – The Agency Fund is used to account for assets held by the School as an agent for student clubs and organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**C. BUDGETS AND BUDGETARY ACCOUNTING:** The General Fund, Special Revenue Funds, and Debt Retirement Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted at the functional level.

**D. PROPERTY TAXES:** Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and payable on December 1. The District collects its taxes through the local township treasurers. Settlement of the delinquent real property taxes is funded by Oceana County. The District recognizes property tax revenue in the year of levy except for delinquent personal property taxes, which are recorded as revenue when received.

**E. INVENTORIES:** Inventories are accounted for at cost on a first-in, first-out basis of accounting with the exception of USDA Commodities that are recorded at market value. Inventory consists of expendable supplies held for consumption and USDA Commodities.

**F. CASH EQUIVALENTS:** The School District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**G. FINANCIAL INSTRUMENTS:** The School does not require collateral to support financial instruments subject to credit risk.

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**H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

**I. FUND EQUITY:** Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

**J. CAPITAL ASSETS:** Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

**K. LONG-TERM OBLIGATIONS:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.



**L. TOTAL COLUMNS ON COMBINED STATEMENTS:** Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**M. STATE CATEGORICAL REVENUE:** The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

**N. RISK MANAGEMENT:** The School District is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**O. ESTIMATES:** The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

**A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:** The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the District, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The School District is in compliance with State law regarding their cash deposits.

**B. TYPES OF DEPOSITS AND INVESTMENTS:** The School District maintains all of its cash deposits in four financial institutions. At June 30, 2008 the book value of the School District's deposits was \$603,110 and the bank balance was \$858,895. Of the bank balance, \$200,920 was covered by federal depository insurance and \$657,975 was uninsured and uncollateralized.

**CASH EQUIVALENTS:** There is \$2,447,385 in the Michigan Liquid Asset Fund Plus Account. This cash equivalent is not categorized as to risk because it is not evidenced by securities that the School owns specifically or can be identified with securities within the liquid asset account.

<u>Carrying Value</u>	<u>Market Value</u>
<u>\$ 2,447,385</u>	<u>\$ 2,447,385</u>

Total Cash:

Petty Cash	\$ 1,290
Deposits in Financial Institutions	603,110
Deposits in MLAF Account	<u>2,447,385</u>
	<u><u>\$ 3,051,785</u></u>

### **NOTE 3 – INVENTORY**

The \$56,607 shown as inventory in the General Fund represents the value of supplies, bus parts and fuel on hand at June 30, 2008.

There is \$9,084 of inventory in the Special Revenue Fund – Food Service.

Total inventory of both funds at June 30, 2008, was \$65,691.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2008, is comprised of the following:

#### General Fund

State of Michigan	- State Aid	\$ 2,035,338
	- Title I	15,789
	- Title II-A	2,614
	- Migrant Education	6,138
	- Adult Ed. English	9,809
	- CACFP	601
	- Title III	1,764
Muskegon County	- Head Start	35,697
	- Work First Grant	140,261
	- Labor Exchange	7,260
	- WIA	97,455
Muskegon Area ISD	- MI Model	2,639
	- Younger Youth	10,068
	- Drug Free	7,687
	- IDEA	14,995
Goodwill Industries		1,659
Village of Shelby – Crossing Guards		824
Oceana ISD- PPI Costs		3,961
<u>Total Due From Other Governmental Units</u>		<u>\$ 2,394,559</u>

### NOTE 5 – DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2008, consisted of the following:

#### Due To:

General	\$ 87
Athletics	<u>5,748</u>
	<u>\$ 5,835</u>

#### Due From:

Food Service	\$ 87
General	<u>5,748</u>
	<u>\$ 5,835</u>

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## NOTE 6 – CAPITAL ASSETS

Capital asset activity of the school district's Governmental activities was as follows:

	Balance June 30, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 231,991	\$ ---	\$ ---	\$ 231,991
Capital assets being depreciated:				
Building and building improvements	21,789,056	---	---	21,789,056
Buses and other vehicles	1,183,812	62,000	---	1,245,812
Furniture and equipment	2,659,699	14,178	---	2,673,877
Subtotal	25,632,567	76,178	---	25,708,745
Accumulated depreciation:				
Building and building improvements	5,983,270	441,374	---	6,424,644
Buses and other vehicles	915,931	64,010	---	979,941
Furniture and equipment	1,947,512	105,263	---	2,052,775
Subtotal	8,846,713	610,647	---	9,457,360
Net capital assets being depreciated	16,785,854	-534,469	---	16,251,385
Net capital assets	\$ 17,017,845	\$ -534,469	\$ ---	\$ 16,483,376

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

## NOTE 7 – ACCRUED SALARIES AND FRINGE BENEFITS

Salaries payable at June 30, 2008, of \$883,285 represents the unpaid portion of teacher contracts for the 2007-08 school year. On these salaries there are also fringe benefits payable at year-end totaling \$577,388.

## NOTE 8 – LONG-TERM DEBT

Long-Term Debt is comprised of bonded debt, bus notes and other notes payable. During the year ended June 30, 2008, long-term debt changed as follows:

### NOTE 8 – LONG-TERM DEBT – CONTINUED

Bond Issue	6/30/07	Additional Debt	2007-08 Payments	Balance 6/30/08
1992 Debt	\$ ---	\$ ---	\$ ---	\$ ---
1998 Refunding Debt	9,350,000	---	60,000	9,290,000
2003 Refunding Debt	1,130,000	---	605,000	525,000
Durant Debt	91,134	---	---	91,134
School Bond Loan	---	---	---	---
	10,571,134	---	665,000	9,906,134
Compensated Absences	3,619,601	---	5,721	3,613,880
	<u>\$ 14,190,735</u>	<u>\$ ---</u>	<u>\$ 670,721</u>	<u>\$ 13,520,014</u>

Amounts needed over the next five years for debt principal payments are as follows:

	1998 Refunding Debt	Durant Debt	2003 Refunding Debt	Total
2008-09	\$ 145,000	\$ 8,590	\$ 525,000	\$ 678,590
2009-10	710,000	52,897	---	762,897
2010-11	730,000	9,427	---	739,427
2011-12	750,000	9,875	---	759,875
2012-13	765,000	10,345	---	775,345
	3,100,000	91,134	525,000	3,716,134
2013 - Maturity	6,190,000	---	---	6,190,000
	<u>\$ 9,290,000</u>	<u>\$ 91,134</u>	<u>\$ 525,000</u>	<u>\$ 9,906,134</u>

Shelby Refunding Bond Issue – 2003: The District issued \$2,945,000 of refunding bonds dated August 12, 2003. Principal payments are due May 1, beginning in 2004 through 2009. Interest rates ranged from 2.0% to 2.9%. The balance at June 30, 2008 was \$525,000.

Shelby Refunding Bond Issue – 1998: The District issued \$9,845,000 of refunding bonds dated December 22, 1998. Principal payments are due May 1, beginning in 1999 through 2021. Interest rates range from 3.1% to 4.8%. The balance at June 30, 2008, was \$9,290,000. See Note 12 for additional information on this transaction.

Durant Bond Issue: The District issued \$154,344 of bonds dated November 24, 1998. The principal and interest on the bond issue is financed from state aid revenue. The bonds bear interest at 4.761% and are due annually through 2013. The balance at June 30, 2008, was \$91,134.

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Compensated Absences: Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused sick leave amounts and severance pay. Once a teacher, secretary, or administrator reaches the twelfth step on the salary schedule, the accumulated compensable leave to the employee's credit is a cash surrender value of fifty percent. Custodians must attain fifteen years of service to be vested. Upon retirement, the accumulated days (maximum 115 days) are payable at 50% of rate of pay at the time of retirement. Therefore, a liability of \$1,031,160 exists at June 30, 2008.

Severance Pay: Any teacher who has taught twelve years in the Shelby Public School system, upon retirement or termination of services, is eligible to receive severance pay. Any teacher hired prior to June 17, 2002, who is on the twelfth step, upon retirement or termination of services is eligible to receive severance pay. Severance pay is equal to 50% of current salary levels. The liability at June 30, 2008 was \$2,582,720.

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN**

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), which is a multiple-employer public employee retirement system. MPERS maintains two plans: the Basic Plan and a Member Investment Plan (MIP). The retirement statute requires that the School District contribute 14.56% of the aggregate annual compensation paid to all employees who are members of the Retirement System. Effective October 1, 1996, the rate increased to 15.17%, and has changed annually since then. For the year ending June 30, 2008, the rate was 16.72%.

Members joining MIP prior to January 1, 1990, contribute at a fixed rate of 3.9% of gross wages. Members joining MIP January 1, 1990, or later contribute at the following graduated permanently fixed rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. After January 1, 1990, membership in MIP is mandatory.

All benefits vest after 10 years of service. Basic Plan members may retire at age 55 with 30 years of credited service, or at age 50 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service, or at age 60

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – CONTINUED**

with 5 years of service. Both Basic and MIP Plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. The system also provides non-duty disability benefits after 10 years of service for MIP members and 15 years of service for basic plan members. The service provision is waived for duty disability and duty death benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members it is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees. MIP members receive a fixed 3% annual increase of the initial benefit. Basic members share in investment earnings over 8%.

The employees covered by the plan include: all teaching and non-teaching employees, employees paid from federal funds, students working summer months but not attending classes, and students working in a school other than the one they are enrolled in and attending classes.

During the year ended June 30, 2008, the School District contributed \$1,578,668 to the Retirement System, which is 16.94% of current fiscal year covered compensation of \$9,327,071. The rate for the current contract year is 16.72%, which the School District paid on all covered compensation. Employees contributed an additional \$309,630 or 3.32% of eligible wages of \$9,327,071. Total wages of the district totaled \$9,694,264.

The "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement plans and employers. The System does not make separate measurements of assets and pension benefits obligation for individual employers. The actuarial accrued liability at September 30, 2006, for the System as a whole, determined through an actuarial valuation performed, as of that date, was \$49.1 billion. The total pension benefit obligation has increased by \$0.9 billion from September 30, 2005 to September 30, 2006.

The System's net assets available for benefits on that date (valued at market) were \$43.0 billion leaving an unfunded actuarial accrued liability of \$6.1 billion. Ten-year historical trend information is presented in the System's September 30, 2007, comprehensive annual financial report.

**NOTE 10 – BUDGETARY ACCOUNTING**

During the year ended June 30, 2008, the School incurred expenditures that were in excess of the amounts appropriated as follows:

	Budget	Actual	Variance
Athletic Fund			
Instruction	\$ 375,560	\$ 388,587	\$ 13,027
Food Service Fund			
Supporting Services	573,270	607,925	34,655
General Fund			
Operating Transfers	344,162	346,621	2,459

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#### **NOTE 11 – FUND BALANCE**

Components of Fund Balance at June 30, 2008, are as follows:

- A) \$56,607 of fund balance in the General Fund is reserved. This amount represents inventory supplies on hand at year-end and is not available for current appropriations and expenditures.
- B) \$61,321 of fund balance in the General Fund has been designated for future technology purchases.
- C) \$295,656 of fund balance in the General Fund has been designated for reduced class size.
- D) \$9,084 of fund balance in the Special Revenue - Food Service Fund is reserved. This amount represents inventory supplies and USDA commodity inventories on hand at year-end and is not available for current appropriations and expenditures of the Hot Lunch Fund.
- E) \$100,000 of fund balance in the general fund has been designated for future facility improvements.
- F) The balance of the Unreserved Fund Balance is undesignated and is available to fund future School operations. The June 30, 2008, Unreserved General Fund Balance of \$2,307,447 compares to June 30, 2007, Unreserved General Fund Balance of \$2,356,484.

#### **NOTE 12 – ADVANCE REFUNDING AND DEFEASANCE OF DEBT**

On December 22, 1998, Shelby Public School issued \$9,845,000 in General Obligation Unlimited Tax Refunding Bonds with interest rates of 3.1% to 4.8% to advance refund \$8,960,000 of outstanding 1995 Building and Site Bonds with an average interest rate of 5.3%. The net proceeds of \$9,600,500 (after payment of \$244,500 in issuance costs) were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1995 bonds. As a result, the remaining balance on the 1995 bonds is considered to be defeased. The liability for those bonds has been removed from the general long-term debt account group.

Shelby Public Schools advance refunded the 1995 bonds to reduce its total debt service payments over the next twenty-two years by \$376,125. However, as a result of the transaction, Shelby Public Schools acquired an additional debt of \$855,000.

On August 12, 2003, Shelby Public School issued \$2,945,000 in General Obligation Unlimited Tax Refunding Bonds with interest rates of 2.0% to 2.9% to advance refund \$2,790,000 of outstanding 1995 Building Site Bonds with an average interest rate of 5.1%. The net proceeds of \$2,945,000 (after payment of \$41,285 in issuance costs) plus an additional \$50,000 of Shelby Public School Debt Funds were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 bonds. As a result, the 1995 bonds are considered to be defeased. The liability for those bonds has been removed from the general long-term debt account group.

Shelby Public Schools advance refunded the 1995 bonds to reduce its total debt service payments over the next ten years by \$110,000. However, as a result of the transaction, Shelby Public Schools acquired an additional debt of \$155,000.



### NOTE 13 – LEASES

The School District leases Rothbury School from the Montague Area Public Schools. The lease term is from August 1, 2005 through June 15, 2008. Rent is \$2,500 monthly plus utilities from August 5 through June 15. Total lease expense for the year ended June 30, 2008 was \$25,000.

The School District leases space for its employment and training programs. The lease term is from February 1, 2005 through January 31, 2010. Monthly rent of \$1,250 is due. Total lease expense for the year ending June 30, 2008, was \$16,013. The base monthly rent increases annually by \$37.50.

Future minimum lease obligations are as follows:

Year ending June 30, 2009	\$ 16,463
2010	9,800
2011 and thereafter	---

### NOTE 14 – DEFERRED REVENUE

At June 30, 2008, various monies had been received for specific programs, but the programs had not yet incurred the expenses related to this revenue. These revenues are then recorded as deferred. At June 30, 2008, deferred revenue consisted of the following:

Middle School Math/Science	\$ 4,066
MSRP	39,973
At Risk	24,662
Other	<u>280</u>
	<u>\$ 68,981</u>

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## **REQUIRED SUPPLEMENTAL INFORMATION**

# SHELBY PUBLIC SCHOOLS

## Budgetary Comparison Schedule

### GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Local Sources	\$ 2,606,262	\$ 2,562,353	\$ 2,580,883	\$ 18,530
State Sources	10,736,908	11,245,889	11,306,772	60,883
Federal Sources	1,614,737	1,986,971	1,852,065	-134,906
Miscellaneous	---	---	---	---
<b>TOTAL REVENUE</b>	<b>14,957,907</b>	<b>15,795,213</b>	<b>15,739,720</b>	<b>-55,493</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic Programs	7,226,071	7,451,888	7,366,924	84,964
Added Needs	2,296,411	2,360,935	2,198,582	162,353
Adult/Continuing Education	487,322	544,818	511,662	33,156
Supporting Services				
Pupil	477,228	512,121	443,097	69,024
Instructional Staff	549,731	638,504	574,501	64,003
Administration	1,309,400	1,316,994	1,301,853	15,141
Business Support	310,025	386,130	377,755	8,375
Operations	1,281,207	1,359,062	1,346,826	12,236
Transportation	624,991	619,434	608,679	10,755
Community Services	551,972	763,543	653,154	110,389
Debt Service	---	---	---	---
Capital Outlay	---	69,641	64,345	5,296
Other Uses – Operating Transfers	308,000	344,162	346,621	-2,459
<b>TOTAL EXPENDITURES</b>	<b>15,422,358</b>	<b>16,367,232</b>	<b>15,793,999</b>	<b>573,233</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>-464,451</b>	<b>-572,019</b>	<b>-54,279</b>	<b>517,740</b>
BUDGETARY FUND BALANCE - JULY 1, 2007	2,875,310	2,875,310	2,875,310	---
<b>BUDGETARY FUND BALANCE - JUNE 30, 2008</b>	<b>\$ 2,410,859</b>	<b>\$ 2,303,291</b>	<b>\$ 2,821,031</b>	<b>\$ 517,740</b>

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**Budgetary Comparison Schedule****FOOD SERVICE****YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Local Sources	\$ 169,575	\$ 169,575	\$ 172,802	\$ 3,227
State Sources	29,000	29,000	25,956	-3,044
Federal Sources	365,000	365,000	404,079	39,079
Miscellaneous	---	---	---	---
<b>TOTAL REVENUE</b>	<b>563,575</b>	<b>563,575</b>	<b>602,837</b>	<b>39,262</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic Programs	---	---	---	---
Added Needs	---	---	---	---
Adult/Continuing Education	---	---	---	---
Supporting Services				
Pupil	558,198	573,270	607,925	-34,655
Instructional Staff	---	---	---	---
Administration	---	---	---	---
Business Support	---	---	---	---
Operations	---	---	---	---
Transportation	---	---	---	---
Community Services	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	1,500	9,700	9,669	31
Other Uses - Operating Transfers	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>559,698</b>	<b>582,970</b>	<b>617,594</b>	<b>-34,624</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>3,877</b>	<b>-19,395</b>	<b>-14,757</b>	<b>4,638</b>
<b>BUDGETARY FUND BALANCE - JULY 1, 2007</b>	<b>83,088</b>	<b>83,088</b>	<b>83,088</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - JUNE 30, 2008</b>	<b>\$ 86,965</b>	<b>\$ 63,693</b>	<b>\$ 68,331</b>	<b>\$ 4,638</b>

## **OTHER SUPPLEMENTAL INFORMATION**

## **GENERAL FUND**

# SHELBY PUBLIC SCHOOLS

General Fund

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

REVENUE	Budget	Actual	Favorable <Unfavorable>
LOCAL SOURCES			
Current Property Tax Levy	\$ 2,413,984	\$ 2,414,674	\$ 690
Interest and Penalties - Delinquent Taxes	500	907	407
Tuition, Patrons	2,726	2,172	-554
Sale of School Property	---	---	---
Interest Earned	80,000	81,921	1,921
Rental of School Facilities	2,500	1,658	-842
Transportation	2,453	2,453	---
Day Care Fees	6,200	6,648	448
Community Education Fees	6,500	6,100	-400
Other	44,890	61,428	16,538
After School	2,600	2,922	322
TOTAL REVENUE FROM LOCAL SOURCES	2,562,353	2,580,883	18,530
STATE SOURCES			
Non Plaintiff Durant Settlement	15,434	15,434	---
State Aid	9,902,981	10,009,259	106,278
Day Care	2,500	2,586	86
Special Education	317,156	312,402	-4,754
Adult Education	53,377	56,894	3,517
At Risk	466,457	441,786	-24,671
Vocational Education	35,468	36,139	671
Michigan School Readiness	272,646	232,425	-40,221
Middle School Math/Science	---	16,197	16,197
Renaissance Zone	162,706	162,706	---
Commercial Forest	3,812	3,813	1
Bilingual Education	13,352	13,352	---
Michigan Prisoner Re-entry	---	3,779	3,779
TOTAL REVENUE FROM STATE SOURCES	\$ 11,245,889	\$ 11,306,772	\$ 60,883

	Budget	Actual	Favorable <Unfavorable>
<b>FEDERAL SOURCES</b>			
Improving Teacher Quality	\$ 121,032	\$ 90,025	\$ -31,007
Migrant Program	108,229	107,700	-529
Summer Migrant Program	147,966	58,340	-89,626
Summer School Food Program	9,038	9,038	---
Title I	419,402	334,639	-84,763
Drug Free	7,689	7,687	-2
Title III	44,028	28,649	-15,379
Adult Basic Education	19,491	15,540	-3,951
Title V	3,410	3,410	---
IDEA	48,000	48,000	---
IDEA Self Review	4,500	4,105	-395
Child Care Food	30,000	33,456	3,456
Work First	414,609	479,228	64,619
Workforce Investment Act	82,162	206,834	124,672
English Literacy	10,600	9,809	-791
Labor Exchange	40,079	50,964	10,885
4C Schooling	240	540	300
Service Learning Grant	25,454	2,444	-23,010
Comprehensive School Reform	---	10,453	10,453
Technology Literacy	5,309	5,309	---
WIA Younger Youth	40,187	57,717	17,530
Head Start	405,546	285,539	-120,007
Michigan Model	---	2,639	2,639
<b>TOTAL REVENUE FROM FEDERAL SOURCES</b>	<b>1,986,971</b>	<b>1,852,065</b>	<b>-134,906</b>
<b>TOTAL REVENUE AND INCOMING TRANSFERS</b>	<b>\$ 15,795,213</b>	<b>\$ 15,739,720</b>	<b>\$ -55,493</b>
<b>EXPENDITURES</b>			
<b>Instruction</b>			
<b>BASIC PROGRAMS</b>			
Elementary Schools	\$ 3,232,631	\$ 3,214,239	\$ 18,392
Middle School	1,529,566	1,522,276	7,290
High Schools	2,493,979	2,482,589	11,390
Preschool	166,485	147,820	18,665
Summer School	29,227	---	29,227
<b>TOTAL BASIC PROGRAMS</b>	<b>\$ 7,451,888</b>	<b>\$ 7,366,924</b>	<b>\$ 84,964</b>



# SHELBY PUBLIC SCHOOLS

## General Fund

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>
<b>EXPENDITURES (CONTINUED)</b>			
<b>Instruction - Continued</b>			
ADDED NEEDS			
Special Education	\$ 1,105,064	\$ 1,100,548	\$ 4,516
Compensatory Education	909,043	808,352	100,691
Vocational Education	346,828	289,682	57,146
TOTAL ADDED NEEDS	2,360,935	2,198,582	162,353
ADULT/CONTINUING EDUCATION			
Adult Education	240,103	238,091	2,012
Workforce Investment Act	304,715	273,571	31,144
TOTAL ADULT/CONTINUING EDUCATION	544,818	511,662	33,156
<b>Total Instruction</b>	10,357,641	10,077,168	280,473
<b>Supportive Services</b>			
PUPIL			
Guidance	373,483	344,113	29,370
Drug-Free	5,894	5,894	---
Social Work	71,412	52,078	19,334
Other	61,332	41,012	20,320
TOTAL PUPIL	512,121	443,097	69,024
INSTRUCTIONAL STAFF			
Improvement of Instruction	156,305	126,738	29,567
Educational Media Services	156,661	156,137	524
Computer Assisted Instruction	87,030	80,718	6,312
Supervision	238,139	210,539	27,600
Other	369	369	---
TOTAL INSTRUCTIONAL STAFF	638,504	574,501	64,003
ADMINISTRATION			
Board of Education	39,666	34,461	5,205
Executive Administration	195,937	187,379	8,558
Principals Offices	1,077,491	1,076,244	1,247
Other	3,900	3,769	131
TOTAL ADMINISTRATION	\$ 1,316,994	\$ 1,301,853	\$ 15,141

	Budget	Actual	Favorable <Unfavorable>
<b>BUSINESS SERVICES</b>			
Fiscal Services	\$ 233,032	\$ 232,780	\$ 252
Other Business Services	64,265	63,071	1,194
Operation and Maintenance	1,359,062	1,346,826	12,236
Pupil Transportation	619,434	608,679	10,755
Planning and Research	8,794	8,546	248
Staff/Personnel Services	15,965	14,506	1,459
Information Management Services	62,112	56,891	5,221
Pupil Accounting	1,962	1,961	1
<b>TOTAL BUSINESS SERVICES</b>	<b>2,364,626</b>	<b>2,333,260</b>	<b>31,366</b>
<b>Total Supportive Services</b>	<b>4,832,245</b>	<b>4,652,711</b>	<b>179,534</b>
<b>Community Services</b>			
Community Activities	1,506	900	606
Custody and Care of Children	353,626	261,904	91,722
Welfare Activities	383,446	367,897	15,549
Non-public School Pupils	2,470	960	1,510
Other	22,495	21,493	1,002
<b>Total Community Services</b>	<b>763,543</b>	<b>653,154</b>	<b>110,389</b>
<b>Capital Outlay</b>			
Bus Purchase	62,000	62,000	---
Other	7,641	2,345	5,296
<b>Total Capital Outlay</b>	<b>69,641</b>	<b>64,345</b>	<b>5,296</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 16,023,070</b>	<b>\$ 15,447,378</b>	<b>\$ 575,692</b>
<b>EXCESS REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	<b>-227,857</b>	<b>292,342</b>	<b>520,199</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Loan Proceeds	---	---	---
Operating Transfers In	---	---	---
Operating Transfers Out	-344,162	-346,621	-2,459
<b>TOTAL OTHER FINANCING SOURCES&lt;USES&gt;</b>	<b>-344,162</b>	<b>-346,621</b>	<b>-2,459</b>
<b>EXCESS REVENUE AND OTHER FINANCING SOURCES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>\$ -572,019</b>	<b>-54,279</b>	<b>\$ 517,740</b>
<b>FUND BALANCE – JULY 1, 2007</b>		<b>2,875,310</b>	
<b>FUND BALANCE – JUNE 30, 2008</b>		<b>\$ 2,821,031</b>	

# **SHELBY PUBLIC SCHOOLS**

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## **SPECIAL REVENUE FUNDS**

## COMBINING BALANCE SHEET

JUNE 30, 2008

	Food Service Fund	Athletic Fund	Totals
<b>ASSETS</b>			
Cash – In Bank	\$ 53,942	\$ 2,300	\$ 56,242
– On Hand	200	200	400
Accounts Receivable	4,449	---	4,449
Due From Other Governmental Units	---	---	---
Due From Other Funds	---	5,748	5,748
Prepaid Expenses	1,260	---	1,260
Inventory	9,084	---	9,084
<b>TOTAL ASSETS</b>	<b>\$ 68,935</b>	<b>\$ 8,248</b>	<b>\$ 77,183</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Due to Other Funds	\$ 87	\$ ---	\$ 87
Accounts Payable	---	---	---
Accrued Salaries	---	3,647	3,647
Accrued Expenses	517	2,101	2,618
<b>TOTAL LIABILITIES</b>	<b>604</b>	<b>5,748</b>	<b>6,352</b>
<b>FUND EQUITY</b>			
Fund Balance – Reserved for Inventory	9,084	---	9,084
Fund Balance – Unreserved	59,247	2,500	61,747
<b>TOTAL FUND EQUITY</b>	<b>68,331</b>	<b>2,500</b>	<b>70,831</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 68,935</b>	<b>\$ 8,248</b>	<b>\$ 77,183</b>

# SHELBY PUBLIC SCHOOLS

## Special Revenue Funds

### COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Food Service		
	Budget	Actual	Favorable <Unfavorable>
<b>REVENUE</b>			
Food Services			
Hot Lunch Receipts - Students	\$ 133,000	\$ 133,156	\$ 156
- Adults	10,500	8,157	-2,343
- Ala Carte	16,000	20,981	4,981
Breakfast	5,500	7,745	2,245
State Aid	29,000	25,956	-3,044
Federal Aid	335,000	364,820	29,820
Federal USDA Commodities in Kind	30,000	39,259	9,259
Other Income	3,075	1,745	-1,330
Interest Income	1,500	1,018	-482
Athletic Activities			
Admission to Games	---	---	---
<b>TOTAL REVENUE</b>	<b>563,575</b>	<b>602,837</b>	<b>39,262</b>
<b>EXPENDITURES</b>			
Salaries	206,648	210,907	-4,259
Fringe Benefits	79,745	80,824	-1,079
Professional Services	7,000	7,164	-164
Food and Supplies	258,500	289,221	-30,721
Travel and Conferences	2,500	1,894	606
Transportation	1,900	1,200	700
Miscellaneous	9,577	9,832	-255
Repairs	1,000	724	276
Utilities and Waste	6,400	6,159	241
Capital Outlay	9,700	9,669	31
<b>TOTAL EXPENDITURES</b>	<b>\$ 582,970</b>	<b>\$ 617,594</b>	<b>\$ -34,624</b>

Athletic Activities			Totals (Memo Only)		
Budget	Actual	Favorable <Unfavorable>	Budget	Actual	Favorable <Unfavorable>
\$ ---	\$ ---	\$ ---	\$ 133,000	\$ 133,156	\$ 156
---	---	---	10,500	8,157	-2,343
---	---	---	16,000	20,981	4,981
---	---	---	5,500	7,745	2,245
---	---	---	29,000	25,956	-3,044
---	---	---	335,000	364,820	29,820
---	---	---	30,000	39,259	9,259
---	---	---	3,075	1,745	-1,330
---	---	---	1,500	1,018	-482
42,900	41,966	-934	42,900	41,966	-934
<b>42,900</b>	<b>41,966</b>	<b>-934</b>	<b>606,475</b>	<b>644,803</b>	<b>38,328</b>
239,709	253,567	-13,858	446,357	464,474	-18,117
71,637	72,720	-1,083	151,382	153,544	-2,162
23,405	23,063	342	30,405	30,227	178
16,275	15,750	525	274,775	304,971	-30,196
---	---	---	2,500	1,894	606
11,600	11,903	-303	13,500	13,103	397
9,434	8,790	644	19,011	18,622	389
3,500	2,794	706	4,500	3,518	982
---	---	---	6,400	6,159	241
---	---	---	9,700	9,669	31
<b>\$ 375,560</b>	<b>\$ 388,587</b>	<b>\$ -13,027</b>	<b>\$ 958,530</b>	<b>\$ 1,006,181</b>	<b>\$ -47,651</b>

# SHELBY PUBLIC SCHOOLS

## Special Revenue Funds

### COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Food Service		
	Budget	Actual	Favorable <Unfavorable>
EXCESS REVENUE OVER <UNDER> EXPENDITURES	\$ -19,395	\$ -14,757	\$ 4,638
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
EXCESS REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	<u>\$ -19,395</u>	<u>-14,757</u>	<u>\$ 4,638</u>
FUND BALANCE - BEGINNING OF YEAR		<u>83,088</u>	
FUND BALANCE - END OF YEAR		<u>\$ 68,331</u>	

Athletic Activities			Totals (Memo Only)		
Budget	Actual	Favorable <Unfavorable>	Budget	Actual	Favorable <Unfavorable>
\$ -332,660	\$ -346,621	\$ -13,961	\$ -352,055	\$ -361,378	\$ -9,323
320,000	346,621	26,621	320,000	346,621	26,621
---	---	---	---	---	---
320,000	346,621	26,621	320,000	346,621	26,621
<u>\$ -12,660</u>	---	<u>\$ 12,660</u>	<u>\$ -32,055</u>	-14,757	<u>\$ -17,298</u>
	<u>2,500</u>			<u>85,588</u>	
	<u>\$ 2,500</u>			<u>\$ 70,831</u>	



**DEBT RETIREMENT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2008**

	1992 Debt	1998 Debt	2003 Debt	Durant	Totals
<b>ASSETS</b>					
Cash in Bank	\$ ---	\$ 461,628	\$ 559,595	\$ ---	\$ 1,021,223
Due from Other Funds	---	---	---	---	---
Accounts Receivable	---	---	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ ---</b>	<b>\$ 461,628</b>	<b>\$ 559,595</b>	<b>\$ ---</b>	<b>\$ 1,021,223</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	---	---	---	---	---
<b>TOTAL LIABILITIES</b>	---	---	---	---	---
<b>FUND EQUITY</b>					
Fund Balance	---	461,628	559,595	---	1,021,223
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ ---</b>	<b>\$ 461,628</b>	<b>\$ 559,595</b>	<b>\$ ---</b>	<b>\$ 1,021,223</b>

# SHELBY PUBLIC SCHOOLS

## Debt Retirement Funds

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	1992		
	Budget	Actual	Favorable <Unfavorable>
<b>REVENUE</b>			
Current Taxes	\$ ---	\$ ---	\$ ---
Delinquent Taxes	---	---	---
Interest and Penalties on Delinquent Property Taxes	---	---	---
Earned Interest	---	---	---
State Aid Revenue	---	---	---
Miscellaneous	---	---	---
<b>TOTAL REVENUE</b>	---	---	---
<b>EXPENDITURES</b>			
Principal on Bonds	---	---	---
Principal on School Bond Loan Fund	---	---	---
Interest on Bonds	---	---	---
Interest on School Bond Loan Fund	---	---	---
Agent Fees and Other	---	---	---
<b>TOTAL EXPENDITURES</b>	---	---	---
<b>EXCESS REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	---	---	---
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Loan Proceeds	---	---	---
Operating Transfers In	---	---	---
Operating Transfers Out	---	412	-412
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	---	412	-412
<b>EXCESS REVENUE AND OTHER SOURCES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<u>\$ ---</u>	-412	<u>\$ -412</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>412</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ ---</u>	

[illegible]

# SHELBY PUBLIC SCHOOLS

## Debt Retirement Funds

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	1998		Favorable <Unfavorable>
	Budget	Actual	
<b>REVENUE</b>			
Current Taxes	\$ 571,545	\$ 570,563	\$ -982
Delinquent Taxes	---	---	---
Interest and Penalties on Delinquent Property Taxes	145	178	33
Earned Interest	10,400	15,769	5,369
State Aid Revenue	---	---	---
Miscellaneous	---	---	---
<b>TOTAL REVENUE</b>	<b>582,090</b>	<b>586,510</b>	<b>4,420</b>
<b>EXPENDITURES</b>			
Principal on Bonds	60,000	60,000	---
Principal on School Bond Loan Fund	---	---	---
Interest on Bonds	427,713	427,712	1
Interest on School Bond Loan Fund	---	---	---
Agent Fees and Other	455	385	70
<b>TOTAL EXPENDITURES</b>	<b>488,168</b>	<b>488,097</b>	<b>71</b>
<b>EXCESS REVENUE OVER EXPENDITURES</b>	<b>93,922</b>	<b>98,413</b>	<b>4,491</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Loan Proceeds	---	---	---
Operating Transfers In	---	412	412
Operating Transfers Out	---	---	---
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	<b>---</b>	<b>412</b>	<b>412</b>
<b>EXCESS REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$ 93,922</b>	<b>98,825</b>	<b>\$ 4,903</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>362,803</b>	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 461,628</b>	

2003			Totals		
Budget	Actual	Favorable <Unfavorable>	Budget	Actual	Favorable <Unfavorable>
\$ 745,384	\$ 744,095	\$ -1,289	\$ 1,316,929	\$ 1,314,658	\$ -2,271
---	---	---	---	---	---
200	232	32	345	410	65
16,000	25,264	9,264	26,400	41,033	14,633
---	---	---	---	---	---
---	---	---	---	---	---
<b>761,584</b>	<b>769,591</b>	<b>8,007</b>	<b>1,343,674</b>	<b>1,356,101</b>	<b>12,427</b>
605,000	605,000	---	665,000	665,000	---
---	---	---	---	---	---
30,955	30,955	---	458,668	458,667	---
---	---	---	---	---	---
455	346	109	910	731	180
<b>636,410</b>	<b>636,301</b>	<b>109</b>	<b>1,124,578</b>	<b>1,124,398</b>	<b>180</b>
125,174	133,290	8,116	219,096	231,703	12,607
---	---	---	---	---	---
---	---	---	---	412	412
---	---	---	---	-412	-412
---	---	---	---	---	---
<u><b>\$ 125,174</b></u>	133,290	<u><b>\$ 8,116</b></u>	<u><b>\$ 219,096</b></u>	231,703	<u><b>\$ 12,607</b></u>
	<u>426,305</u>			<u>789,520</u>	
	<u><b>\$ 559,595</b></u>			<u><b>\$ 1,021,223</b></u>	

## **AGENCY FUNDS**

**STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2008**

**ASSETS**

Cash in Bank	\$ 137,356
Due From Other Funds	<u>---</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 137,356</u></b>

**LIABILITIES**

Due to Other Funds	\$ ---
Due to Others	13,339
Due to Student Groups	<u>124,017</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 137,356</u></b>



# SHELBY PUBLIC SCHOOLS

## Agency Funds

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2008

	Balance 6/30/07	Receipts	Disbursements	Balance 6/30/08
<b>ASSETS</b>				
Cash	\$ 159,300	\$ 354,920	\$ 376,864	\$ 137,356
Due From Other Funds	---	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 159,300</b>	<b>\$ 354,920</b>	<b>\$ 376,864</b>	<b>\$ 137,356</b>
<b>LIABILITIES</b>				
DUE TO OTHER FUNDS	\$ 2,524	\$ ---	\$ 2,524	\$ ---
DUE TO OTHERS				
School Administration Central Office Board Internal	3,348	38,547	29,367	12,528
New Era Internal Fund	833	14,915	14,937	811
<b>TOTAL DUE TO OTHERS</b>	<b>4,181</b>	<b>53,462</b>	<b>44,304</b>	<b>13,339</b>
DUE TO STUDENT GROUPS				
High School Internal	97,642	228,019	242,787	82,874
Middle School Internal	13,841	44,789	48,182	10,448
Ferry Elementary Internal	9,354	75	9,429	---
Thomas Read Elementary Internal	29,382	27,702	29,083	28,001
Benona Elementary Internal	2,376	873	555	2,694
<b>TOTAL STUDENT GROUPS</b>	<b>152,595</b>	<b>301,458</b>	<b>330,036</b>	<b>124,017</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 159,300</b>	<b>\$ 354,920</b>	<b>\$ 376,864</b>	<b>\$ 137,356</b>

# STATEMENT OF CHANGES IN ASSETS AND LIABILITIES HIGH SCHOOL INTERNAL ACTIVITIES FUND

**FISCAL YEAR ENDED JUNE 30, 2008**

ACTIVITY	Due to Student Groups 6/30/07	Receipts	Disbursements	Due to Student Groups 6/30/08
AP Book Fund	\$ 696	\$ 229	\$ 170	\$ 755
Art Club	181	---	---	181
Band	207	12,774	12,974	7
Band Trip	---	26,530	26,530	---
Calculators	150	398	---	548
Class of 2007	354	---	354	---
Class of 2008	1,080	669	1,602	147
Class of 2009	1,158	4,127	2,451	2,834
Class of 2010	831	3,154	1,644	2,341
Class of 2011	---	2,445	1,950	495
D.E. Club	5,709	21,845	26,787	767
Drama Class	524	---	185	339
Due to Others (Interest)	512	417	512	417
Equestrian Team	501	---	---	501
Ethnic Club	5	---	5	---
Faculty Lounge Pop	346	160	58	448
General Administration	2,869	11,133	12,377	1,625
General Admin. - Athletic	29,301	88,200	89,026	28,475
General Admin. - Pop	10,572	11,196	19,149	2,619
Honor Society	159	730	860	29
Ind. Education	235	2,868	2,799	304
Learn and Serve	154	505	567	92
Library	1,785	1,414	2,693	506
Masque and Bauble	14,119	1,691	929	14,881
Music Dept. Joint Acct.	---	680	336	344
Pep Club	34	---	34	---
Post Prom	1,461	4,881	3,905	2,437
S.A.D.D.	434	---	434	---
S.A.F.E.	433	---	433	---
Science Olympiad	251	373	---	624
Student Council	4,072	4,275	6,825	1,522
Technology	473	---	101	372
Tiger Bazaar	888	1,060	21	1,927
Training Club	160	---	160	---
Vocal Music	4,226	12,871	11,844	5,253
Yearbook Class	13,762	13,394	15,072	12,084
<b>TOTALS</b>	<b>\$ 97,642</b>	<b>\$ 228,019</b>	<b>\$ 242,787</b>	<b>\$ 82,874</b>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MIDDLE SCHOOL INTERNAL ACTIVITIES FUND****FISCAL YEAR ENDED JUNE 30, 2008**

<b>ACTIVITY</b>	Due to	<b>Receipts</b>	<b>Disbursements</b>	Due to
	Student Groups 6/30/07			Student Groups 6/30/08
Athletic Department	\$ 862	\$ 643	\$ 1,284	\$ 221
Band Resale	-204	2,072	1,868	---
Beverage Machines	131	194	325	---
Cheerleaders	1,825	2,871	2,356	2,340
Claw Club	---	870	870	---
Eighth Grade	520	10,026	9,508	1,038
Interest	1,713	1,840	2,163	1,390
Library Fund	-2,425	5,474	5,816	-2,767
Petty Cash	---	2,530	1,923	607
Physical Education	2,437	6,845	8,143	1,139
Seventh Grade	8,024	6,441	9,615	4,850
Sixth Grade	958	512	250	1,220
World's Finest Candy	---	2,942	2,942	---
Yearbook	---	1,529	1,119	410
<b>TOTALS</b>	<b>\$ 13,841</b>	<b>\$ 44,789</b>	<b>\$ 48,182</b>	<b>\$ 10,448</b>

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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**BENONA ELEMENTARY INTERNAL ACTIVITIES FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

ACTIVITY	Due to Student Groups	Receipts	Disbursements	Due to Student Groups
	6/30/07			6/30/08
5th Grade	\$ 102	\$ 353	\$ 109	\$ 346
4th Grade	1,167	---	---	1,167
3rd Grade	211	---	---	211
2nd Grade	508	---	---	508
1st Grade	8	---	8	---
Kindergarten	8	---	---	8
Computer Lab	27	58	---	85
Library	284	71	---	355
Miscellaneous	61	391	438	14
<b>TOTALS</b>	<b>\$ 2,376</b>	<b>\$ 873</b>	<b>\$ 555</b>	<b>\$ 2,694</b>

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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FERRY ELEMENTARY INTERNAL ACTIVITIES FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

ACTIVITY	Due to Student Groups	Receipts	Disbursements	Due to Student Groups
	6/30/07			6/30/08
5th Grade	\$ 101	\$ ---	\$ 101	\$ ---
4th Grade	7	---	7	---
3rd Grade	38	---	38	---
2nd Grade	3	---	3	---
1st Grade	---	---	---	---
Kindergarten	79	---	79	---
Library	20	---	20	---
Miscellaneous	2,819	75	2,894	---
Scholarship	6,287	---	6,287	---
<b>TOTALS</b>	<b>\$ 9,354</b>	<b>\$ 75</b>	<b>\$ 9,429</b>	<b>\$ ---</b>

# SHELBY PUBLIC SCHOOLS

## Agency Funds

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES NEW ERA ELEMENTARY INTERNAL ACTIVITIES FUND

**FISCAL YEAR ENDED JUNE 30, 2008**

ACTIVITY	Due to Others	Receipts	Disbursements	Due to Others
	6/30/07			6/30/08
Fund Raisers	\$ 6,268	\$ 11,188	\$ 5,755	\$ 11,701
Interest	---	1	22	-21
Miscellaneous	-1,730	3,726	5,864	-3,868
Teaching Supplies	-3,705	---	3,296	-7,001
<b>TOTALS</b>	<b>\$ 833</b>	<b>\$ 14,915</b>	<b>\$ 14,937</b>	<b>\$ 811</b>

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES THOMAS READ ELEMENTARY INTERNAL ACTIVITIES FUND

**FISCAL YEAR ENDED JUNE 30, 2008**

ACTIVITY	Due to Student Groups	Receipts	Disbursements	Due to Student Groups
	6/30/07			6/30/08
Candy Sales	\$ 16,429	\$ 4,066	\$ 5,081	\$ 15,414
Categorical Class	197	31	150	78
ECC	24	80	69	35
Fish Bowl	165	50	75	140
Fund Raiser	188	---	---	188
Girls on the Run	---	---	---	---
Interest	3,340	1,235	---	4,575
Jeans for a Cure	145	1,794	1,847	92
Library	902	4,555	3,400	2,057
Miscellaneous	932	8,689	8,172	1,449
Professional Development	223	296	365	154
PTO Projects	521	1,653	2,027	147
Safety Patrol	17	---	---	17
Sandy-Computer	953	381	328	1,006
SL Projects	---	812	740	72
Staff Fund	529	1,062	791	800
Student Council	1,265	2,741	2,410	1,596
Tubs	3,509	---	3,464	45
Volunteers	43	257	164	136
<b>TOTALS</b>	<b>\$ 29,382</b>	<b>\$ 27,702</b>	<b>\$ 29,083</b>	<b>\$ 28,001</b>

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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**CENTRAL OFFICE INTERNAL FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

ACTIVITY	Due to Others		Receipts	Disbursements	Due to Others	
	6/30/07				6/30/08	
Relay for Life	\$	---	\$ 2,050	\$ 2,050	\$	---
Fair Share		---	1,546	---		1,546
Miscellaneous		-157	25,693	25,055		481
Needy Children		2,969	---	---		2,969
Scholarship		---	---	---		---
Vending Commission		536	115	262		389
Ferry Scholarship		---	6,307	2,000		4,307
SMS Gazebo		---	2,836	---		2,836
TOTALS	\$	3,348	\$ 38,547	\$ 29,367	\$	12,528

**STATEMENTS OF BONDED INDEBTEDNESS**

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## Statement Of Bonded Indebtedness

### DURANT DEBT

<b>Issue Dated November 28, 1998 in the amount of</b>	<b>\$ 154,344</b>
Less:	
Bonds paid in prior years	63,210
Bonds due and paid May 1, 2008	---
<b>Balance outstanding – June 30, 2008</b>	<b><u>\$ 91,134</u></b>

Balance payable as follows:

Year	Rate	Interest	Principal	Total
Prior	4.761%	\$ 18,084	\$ 43,899	\$ ---
2009	4.761%	2,249	8,590	10,839
2010	4.761%	1,840	8,998	72,821
2011	4.761%	1,412	9,427	10,839
2012	4.761%	963	9,875	10,838
2013	4.761%	493	10,345	10,838
		<b><u>\$ 25,041</u></b>	<b><u>\$ 91,134</u></b>	<b><u>\$ 116,175</u></b>



# SHELBY PUBLIC SCHOOLS

## Statements Of Bonded Indebtedness

### 1998 REFUNDING DEBT

Issue Dated December 22, 1998 in the amount of **\$ 9,845,000**

Less:

Bonds paid in prior years 440,000

Bonds due and paid May 1, 2008 55,000

**Balance outstanding – June 30, 2008** **\$ 9,350,000**

Balance payable as follows:

Year	Rate	Interest	Principal	Total
2009	4.20%	\$ 425,193	\$ 145,000	\$ 570,193
2010	4.25%	419,102	710,000	1,129,102
2011	4.30%	388,928	730,000	1,118,928
2012	4.35%	357,537	750,000	1,107,537
2013	4.40%	324,913	765,000	1,089,913
2014	4.50%	291,252	785,000	1,076,252
2015	4.60%	255,928	780,000	1,035,928
2016	4.65%	220,047	775,000	995,047
2017	4.70%	184,010	790,000	974,010
2018	4.80%	146,880	785,000	931,880
2019	4.80%	109,200	775,000	884,200
2020	4.80%	72,000	750,000	822,000
2021	4.80%	36,000	750,000	786,000
		<b><u>\$ 3,230,990</u></b>	<b><u>\$ 9,290,000</u></b>	<b><u>\$ 12,520,990</u></b>

### 2003 REFUNDING DEBT

Issue Dated August 12, 2003 in the amount of **\$ 2,945,000**

Less:

Bonds paid in prior years 1,815,000

Bonds due and paid May 1, 2008 605,000

**Balance outstanding – June 30, 2008** **\$ 525,000**

Balance payable as follows:

Year	Rate	Interest	Principal	Total
2009	2.90%	\$ 15,225	\$ 525,000	\$ 540,225

---

## **FEDERAL FINANCIAL ASSISTANCE**

# SHELBY PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2008

Program Title		Federal CFDA No.	Contract Number	Program or Award Amount
<u>U.S. Department of Education</u>				
Pass Through State Department of Education:				
- Title I	*	84.010A	815300708	\$ 419,402
- Title I	*	84.010A	715300607	357,129
- Migrant Education		84.011	718302007	88,670
- Migrant Education		84.011	818302008	95,764
- Migrant Education		84.011	818900708	108,229
- Title V LEA Allocation		84.298	802500708	3,410
- Title V LEA Allocation		84.298	702500607	3,141
- Title 2D Technology Literacy		84.318	842900708	5,309
- Title IIA Improving Teacher Quality		84.367	705200607	110,885
- Title IIA Improving Teacher Quality		84.367	805200708	120,982
- Comprehensive School Reform		84.332	618700607	106,350
- Title III Limited English		84.365	805800708	44,028
- Adult Basic Education		84.002	811208500257	10,600
Pass through Muskegon Area ISD				
- Adult Basic Education		84.002		16,125
- Adult Basic Education		84.002		15,540
- Service Provider Self Review		84.027	804400708	4,500
Pass through Oceana ISD - IDEA		84.027A		48,000
<u>Total U.S. Department of Education</u>				
<u>U.S. Department of Agriculture</u>				
U.S.D.A. Food Distribution:				
- Entitlement Commodities		10.550		37,923
- Bonus Commodities		10.550		1,336
Pass Through State Department Of Education:				
- National School Lunch Program	*	10.555	81950, 81960, 71950, 71960	296,477
- National School Lunch Breakfast	*	10.553	81970, 71970	68,343
- Child Care Food Program		10.558	81920, 82010, 71920, 72010	34,719
- Summer School Food	*	10.559	60900,61900	15,144
Pass through Muskegon Area ISD				
- Michigan Model		10.551		2,639
<u>Total U.S. Department of Agriculture</u>				
*Designates a major program				

Prior Year Expenditure	Cash/Accrued or <Deferred> Revenue at July 1, 2007	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or <Deferred> Revenue at June 30, 2008
\$ ---	\$ ---	\$ 318,850	\$ 334,639	\$ 15,789
316,128	-2,209	-2,209	---	---
316,128	-2,209	316,641	334,639	15,789
22,629	22,629	74,831	52,202	---
---	---	---	6,138	6,138
---	---	107,700	107,700	---
22,629	22,629	182,531	166,040	6,138
---	---	3,410	3,410	---
2,908	92	92	---	---
2,908	92	3,502	3,410	---
---	---	5,309	5,309	---
101,657	361	361	---	---
---	---	87,411	90,025	2,614
101,657	361	87,772	90,025	2,614
95,897	39	10,492	10,453	---
---	---	26,885	28,649	1,764
---	---	---	9,809	9,809
16,125	5,331	5,331	---	---
---	---	15,540	15,540	---
16,125	5,331	20,871	25,349	9,809
---	---	4,105	4,105	---
---	12,891	45,896	48,000	14,995
555,344	39,134	704,004	715,979	51,109
---	---	37,923	37,923	---
---	---	1,336	1,336	---
---	---	39,259	39,259	---
---	---	296,477	296,477	---
---	---	68,343	68,343	---
---	---	364,820	364,820	---
---	457	33,312	33,456	601
---	5,322	14,360	9,038	---
---	---	---	2,639	2,639
\$ ---	\$ 5,779	\$ 451,751	\$ 449,212	\$ 3,240

# SHELBY PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2008

Program Title	Federal CFDA Number	Program or Award Amount
<u>U.S. Department of Labor</u>		
Pass Through Muskegon County Department of Employment and Training		
WIA - Dislocated Worker	17.260	\$ 148,341
WIA - Youth	17.259	29,786
WIA - Younger Youth	17.259	35,334
WIA - Adult	17.258	51,090
 Labor Exchange	17.207	36,770
Labor Exchange	17.207	50,965
 Drug Free	17.246	7,687
 Pass Through Ludington Mass Transit Authority		
Federal Transit Administration Job Access Reverse Commute Program	20.516	13,500
<u>Total U.S. Department of Labor</u>		
<u>U.S. Department of Health and Human Services</u>		
Pass through Muskegon County		
Work First *	93.558	479,228
 Pass through Michigan 4C Assoc Community Coordinated Child Care	93.575	540
Pass through Muskegon Area Intermediate School District		
Head Start	93.600	290,445
Head Start	93.600	290,445
<u>Total U.S. Department of Health and Human Services</u>		
<u>Corporation For National and Community Service</u>		
Pass through State Department of Labor and Economic Growth		
Learn and Serve	94.004	15,000
Learn and Serve	94.004	15,000
<u>Total Corporation for National and Community Service</u>		
<u>Total Federal Financial Assistance</u>		

\*Designates a major program

Prior Year Expenditure	Cash/Accrued or <Deferred> Revenue at July 1, 2007	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or <Deferred> Revenue at June 30, 2008
\$ ---	\$ 1,685	\$ 63,629	\$ 148,341	\$ 86,397
---	3,777	31,937	29,786	1,626
---	16,845	42,111	35,334	10,068
---	554	42,212	51,090	9,432
36,770	8,100	8,100	---	---
---	---	43,704	50,964	7,260
36,770	8,100	51,804	50,964	7,260
---	4,719	4,719	7,687	7,687
13,500	13,500	13,500	---	---
50,270	49,180	249,912	323,202	122,470
---	176,209	515,176	479,228	140,261
---	---	540	540	---
179,044	36,471	147,872	111,401	---
---	---	138,441	174,138	35,697
179,044	36,471	286,313	285,539	35,697
179,044	212,680	802,029	765,307	175,958
---	---	2,444	2,444	---
13,094	10,462	10,462	---	---
13,094	10,462	12,906	2,444	---
	<u>\$ 317,235</u>	<u>\$ 2,220,602</u>	<u>\$ 2,256,144</u>	<u>\$ 352,777</u>

## **FOOTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2008**

### **NOTE 1 – MAJOR PROGRAMS**

There were three major programs Title I, Work First, and the Child Nutrition Cluster. Total expenditures during the year ended June 30, 2008, were \$334,639, \$479,228, and \$373,858.

### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Federal Awards was prepared using the modified accrual basis of accounting. For grants from the Departments of Education and Agriculture, revenue is recognized when the related expense is incurred. Amounts spent but not yet received at June 30, 2008 were recorded as accrued revenue. Expenditures are recorded when the expense is incurred. Grants from the Department of Labor are not expenditure driven. For these grants, revenue is recognized when the appropriate service has been performed. Amounts billed but not received by June 30, 2008 are recorded as accrued revenue. Expenditures are not reflected on the Schedule of Federal Awards for these grants.

### **NOTE 3 – ANNUAL GRANT REPORTS**

For the grants from the Departments of Education and Agriculture, management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

### **NOTE 4 – SCHEDULE PREPARATION**

Management has utilized the Grants Section Audit Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.

### **NOTE 5 – INVENTORY VALUES**

Inventory values are based on the USDA value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

# SCHEDULE OF RECONCILIATION OF REVENUE WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

**YEAR ENDED JUNE 30, 2008**

	Financial Statement	Awards Schedule
<b>DEPARTMENT OF EDUCATION GRANTS</b>		
GENERAL FUND		
Title I	\$ 334,639	\$ 334,639
Migrant Education	107,700	107,700
Migrant Summer Education	58,340	58,340
Improving Teacher Quality	90,025	90,025
Title V	3,410	3,410
Title III	28,649	28,649
Adult Basic Education	15,540	15,540
IDEA	48,000	48,000
Comprehensive School Reform	10,453	10,453
IDEA Self Review	4,105	4,105
Technology Literacy	5,309	5,309
English Literacy	9,809	9,809
TOTAL	<u>715,979</u>	<u>715,979</u>
<b>DEPARTMENT OF AGRICULTURE GRANTS</b>		
GENERAL FUND		
Michigan Model	2,639	2,639
Child Care Food	33,456	33,456
Summer School Food	9,038	9,038
FOOD SERVICE FUND		
Commodities	39,259	39,259
Federal Aid	364,820	364,820
TOTAL	<u>449,212</u>	<u>449,212</u>
<b>DEPARTMENT OF LABOR GRANTS</b>		
GENERAL FUND		
Workforce Investment Act	206,834	206,834
Drug Free	7,687	7,687
Labor Exchange	50,964	50,964
WIA Younger Youth	57,717	57,717
TOTAL	<u>323,202</u>	<u>323,202</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
GENERAL FUND		
Work First	479,228	479,228
Head Start	285,539	285,539
4C Schooling	540	540
TOTAL	<u>765,307</u>	<u>765,307</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
GENERAL FUND		
Service Learning	2,444	2,444
<b>GRAND TOTAL</b>	<u><u>\$ 2,256,144</u></u>	<u><u>\$ 2,256,144</u></u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Shelby Public School's basic financial statements, and have issued our report thereon dated September 24, 2008. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelby Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelby Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shelby Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Shelby Public School's financial statements that is more than inconsequential will not be prevented or detected by Shelby Public School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Shelby Public School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance

As part of obtaining reasonable assurance about whether Shelby Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, reading "Karl L. Drake".

Karl L. Drake, PC  
Certified Public Accountant

September 24, 2008

3775 Kimmel Road  
Horton, Michigan 49246

(517) 937-9333 Phone / 563-2552 Fax  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

Compliance

We have audited the compliance of Shelby Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Shelby Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Shelby Public School's management. Our responsibility is to express an opinion on Shelby Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shelby Public School's compliance with these requirements.

In our opinion, Shelby Public School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of Shelby Public School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelby Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Shelby Public School's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, PC  
Certified Public Accountant

September 24, 2008

# **SHELBY PUBLIC SCHOOLS**

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2008**

### **Summary of Auditor's Results**

1. The auditor issued an unqualified report on the financial statements of Shelby Public Schools.
2. The audit disclosed no noncompliance that is material to the financial statements of Shelby Public Schools.
3. The auditor issued an unqualified opinion on compliance for major programs.
4. The audit disclosed no audit findings that are required to be reported under Section 510(a).
5. Shelby Public Schools had three major programs – Title I, Work First, and the Child Nutrition Cluster.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Shelby Public Schools qualified as a low risk auditee under Section 530.

### **Findings Related to the Financial Statement**

NONE

### **Findings and Questioned Costs for Federal Awards**

NONE

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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2008**

There were no prior audit findings.

**Karl L. Drake, P.C.**  
**Certified Public Accountant**

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September 24, 2008

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shelby Public Schools for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 11, 2008.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Shelby Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this fiscal year. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that

future

events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 8 to the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and



accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. The primary discussions held this year revolved around the segregation of responsibilities in the School District office. These discussions occurred in the normal course of our professional relationship, however, and our responses were not a condition to our retention.

This information is intended solely for the use of Shelby Public Schools, management of Shelby Public Schools and the Michigan Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Karl L. Drake".

Karl L. Drake, P.C.